

A Citizen's Guide to Washington State

K-12 Finance



2006

Table of Contents

Introduction 1

How many students attend K-12 schools in the state? 2

How are public schools in Washington organized? 2

What does the Washington state constitution
say about K-12 public school funding? 2

How has this been interpreted by the state courts? 2

How has the Legislature implemented the court rulings? 3

What is the levy lid act and why was it passed? 6

How much of the state general fund is spent on K-12 public schools? 7

How has the amount of the general fund support
of K-12 public schools changed since 1993? 8

What are other sources of funding used by school districts? 10

How are these funds spent by school districts? 12

How much is spent per student? 14

How has total per student spending changed since 1993? 15

How has state funding per student changed since 1993? 16

How is the salary level of teachers determined? 16

What is the average salary level of certificated instructional staff? 18

How is the salary level of administrators
and classified staff determined? 18

How does Washington compare to other states? 19

How does the state lottery support public schools? 23

What is the role of the federal government in
public elementary and secondary education? 24

What are other types of dedicated
funding utilized by school districts? 25

How is school construction funded in the state? 25

What is Initiative 732? 26

What is Initiative 728? 26

Appendix A: Maximum Levy Authority 28

Appendix B: K-12 Allocation Schedule for
Certificated Instructional Staff 30

Appendix C: Certificated Instructional Staff Base Salaries 31

Introduction

A *2006 Citizen's Guide to K-12 Finance* is offered to provide a clear and simple overview of K-12 financial issues. It provides general information on K-12 finance by answering frequently asked questions. For more in-depth information of K-12 finance, see *Organization and Financing of Washington Public Schools* published by the Office of Superintendent of Public Instruction. It is available at the following: www.k12.wa.us/safs/PUB/ORG/04/orgfin04.pdf. The information presented in this document is based on statewide data. For information on a specific school district, inquire with the specific school district.

A *2006 Citizen's Guide to K-12 Finance* was prepared by staff of the Senate Ways and Means Committee and the Senate Early Learning, K-12 and Higher Education Committee (within Senate Committee Services) with the assistance of staff of the Legislative Evaluation and Accountability Program (LEAP) Committee. Questions regarding the guide or requests for additional copies should be addressed to:

Senate Ways and Means Committee

300 John A. Cherberg Building

Olympia, Washington 98504-0482

Telephone: 360-786-7715

Fax: 360-786-7615

Website: www1.leg.wa.gov/Senate/Committees/WM/

How many students attend K-12 schools in the state?

In the 2004-05 school year, approximately one million students were enrolled at the 2,200 public schools across the state. In addition, approximately 69,000 students attended private schools and 19,000 students were home-schooled.

How are public schools in Washington organized?

Washington is largely considered a “local control” state. This means that local school districts are generally responsible for delivering the actual instructional programs for the state’s elementary and secondary school-age population. Each district is governed by a locally-elected school board whose members serve staggered four-year terms. Each school board hires a Superintendent who oversees the day-to-day operation of the school district. Currently, there are a total of 296 school districts.

The public school system in the state of Washington involves various entities at both the state and local levels, including the Legislature, the Governor, the State Board of Education, the Office of the Superintendent of Public Instruction, the federal Department of Education, the State Auditor’s office, the Professional Educators Standards Board, Educational Service Districts, and local school districts. Each of these entities play a role in establishing educational policies, implementing these policies, or providing administrative and financial oversight of the public school system.

What does the Washington state Constitution say about K-12 public school funding?

“It is the paramount duty of the state to make ample provision for the education of all children residing within its borders, without distinction or preference on account of race, color, caste or sex.”

Washington Constitution, article IX, section I

This constitutional provision is unique to Washington. While other states have constitutional provisions related to education, no other state makes K-12 education the “paramount duty” of the state.

How has this been interpreted by the state courts?

In a significant decision in 1978 (*Seattle School District No. 1 v. State*, 585 P.2d 71, 978), the Washington Supreme Court interpreted article IX, section 1 to mean that the state Legislature must define a “basic program of education,” distinguished from all other educational programs or services, and sufficiently and amply fund it from a regular and dependable source which cannot be dependent on local tax levies.

The Court found that this paramount duty is superior in rank and above all others. Neither fiscal crisis nor financial burden changes the Legislature's constitutional duty. The state has no duty to fund programs outside the definition of "basic education." School districts may use local levies to fund enrichment programs and programs outside the legislative definition of basic education. However, the use of local levies cannot reduce the state's obligation to fund basic education.

The Court did not require the state to provide a total education or the offerings of all knowledge, programs, subjects or services; however, the Court did find that the duty goes beyond mere reading, writing, and arithmetic. The Court noted that a basic education also "embraces broad educational opportunities needed in the contemporary setting to equip children for their role as citizens and as potential competitors in today's market as well as in the marketplace of ideas."

When the state courts addressed these issues, there was no state definition of "basic education," so the courts considered three definitions, and the cost of each, to determine whether the state provided sufficient funds to implement a basic education program. The courts noted that in terms of "quantitative inputs," staffing ratios (the ratio of staff to students) and staff salaries are the most significant factors in determining the cost of education.

In 1983, a trial court found that the system of education defined by the Legislature to comply with the constitution included the Basic Education Act of 1977 (BEA); the special education program for students with disabilities; the Learning Assistance Program; the Transitional Bilingual Education program; and portions of the student transportation program. Additionally, in terms of "quantitative input," the trial court found that under the BEA the Legislature must provide salaries necessary to ensure local school districts the ability to hire and retain competent staff.

How has the Legislature implemented the court rulings?

In order to carry out its constitutional responsibility, the Legislature passed the Basic Education Act of 1977 (BEA), which defined a "basic education" by establishing goals, minimum program hours, teacher contact hours, and a mix of course offerings for a school district to provide. Currently, at least of some portion of six programs (general apportionment; the special education program for students with disabilities; some pupil transportation; the Learning Assistance Program for remediation assistance; the Transitional Bilingual Education program; and educational programs in juvenile detention centers and state institutions) fall within the Legislature's definition of basic education.

General Apportionment – Foundational state funding to school districts is provided through the General Apportionment formula. Every enrolled K-12 student generates state funding under the General

Apportionment formula. While the amount each school district receives varies based on certain characteristics, such as teacher experience and historical salary levels, the statewide allocations through the General Apportionment formula is projected at approximately \$4,236 per student in the 2005-06 school year.

Special Education – The current state funding formula for Special Education, which was implemented in 1995, is based on the additional “excess costs” of educating students receiving special education services. The amount is provided for two categories of students.

For birth through 2 year olds, the special education allocation is 115 percent of the district's average per student General Apportionment allocation. Districts have the option of offering special education programs for this age group. For 3 to 21 year olds, the state Special Education allocation is 93 percent of the district's average per student General Apportionment allocation.

In addition to the per student allocation, the special education funding structure includes a safety net process for districts that can demonstrate extraordinary special education program costs beyond state and federal resources. For the 2005-06 school year, the statewide average allocation per birth through 2 year old special education student is projected at \$4,871 and the statewide average allocation per 3 to 21 year old special education student is projected at \$3,943 per year. For 5 to 21 year olds, this amount is in addition to the General Apportionment allocations described above.

Pupil Transportation – The Student Transportation Funding Formula provides allocations to districts based on the number of students transported and the distances between route stops and schools. Districts receive a state allocation for trips to and from home and school beyond one mile in school buses, passes or tokens used on local transit systems, shuttles between learning centers for instruction mandated by statute, and in-lieu payments made to parents or guardians. Additionally, the formula includes an allocation for K-5 students living within one mile of their school. The state does not provide funding for field trips, extracurricular trips, extended school day take home trips, or after school activity take home trips. The formula also includes an allocation for reimbursing districts for purchasing school buses. The current allocation is approximately \$42.21 per weighted student mile in the 2005-06 school year.

Learning Assistance Program – The Learning Assistance Program (LAP) provides remediation assistance to students functioning below grade level in reading, math and language arts. Based on changes in 2004 and 2005, districts receive LAP allocations based on students in poverty as measured by eligibility for free and reduced price lunch rather than a combination of poverty and test scores. In the 2005-06 school year, the current LAP allocation is approximately \$187 per eligible student.

Transitional Bilingual Education – The statewide Transitional Bilingual Instruction Program (TBIP) was created by the Washington State Legislature in 1979. State TBIP funding supports school staff and training intended to teach English to students in the public K–12 school system. The current allocation is approximately \$773 per TBIP student in the 2005-06 school year.

Institutional Education Programs – The state funds a 220-day educational program for children in certain institutions. Institutional education moneys are allocated to the school districts, educational service districts, or others that provide the educational programs. While the amounts vary based on the type and size of program, the current institutional education allocation is projected to be approximately \$10,243 per student in the 2005-06 school year.

The Legislature also funds a variety of programs and activities outside of its definition of basic education. The chart below reflects the funding for the 2005-07 biennium (fiscal years 2006 and 2007) for the six programs currently defined as “basic education” as well as the funding for other K-12 programs and activities funded by the state.

2005-07 BASIC EDUCATION PROGRAMS		
(Dollars in Millions)		
GENERAL APPORTIONMENT (RCW 28A.150.260)	\$8,154.5	70.5%
SPECIAL EDUCATION (RCW 28A.150.370)	932.0	8.1%
TRANSPORTATION (RCW 28A.160.150)	489.1	4.2%
LEARNING ASSIST. PROGRAM (RCW 28A.165)	155.4	1.3%
BILINGUAL (RCW 28A.180)	123.2	1.1%
INSTITUTIONS (RCW 28A.190)	38.8	0.3%
SUBTOTAL: BASIC EDUCATION PROGRAMS	\$9,893.0	85.5%
2005-07 NON-BASIC EDUCATION PROGRAMS		
(Dollars in Millions)		
STUDENT ACHIEVEMENT FUND (I-728)	\$629.4	5.4%
LEVY EQUALIZATION (LEA)	357.2	3.1%
K-4 ENHANCED STAFFING RATIO	207.2	1.8%
INITIATIVE 732 COLA (1.2%, 1.7%)	135.2	1.2%
HEALTH CARE BENEFIT INCREASES	126.2	1.1%
EDUCATION REFORM	82.7	0.7%
TWO LEARNING IMPROVEMENT DAYS	56.0	0.5%
STATE OFFICE & ED AGENCIES	26.6	0.2%
STATEWIDE PROGRAMS/ALLOCATIONS	20.3	0.2%
HIGHLY CAPABLE	13.8	0.1%
EDUCATIONAL SERVICE DISTRICTS	7.4	0.1%
FOOD SERVICES	6.3	0.1%
SUMMER & OTHER SKILLS CENTERS	6.2	0.1%
PUPIL TRANSPORTATION COORDINATORS	1.6	0.0%
Subtotal: Non-Basic Education Programs	\$1,676	14.5%
TOTAL - STATE FUNDS	\$11,569	100.0%

Note: Reflects General Fund-State, Education Legacy Account, and Student Achievement Funds.

What is the levy lid act and why was it passed?

In a major 1978 decision (*Seattle School District No. 1 v. State*, 585 P.2d 71, 978) interpreting constitutional provisions related to education, among other things, the Washington State Supreme Court found that school districts may use local tax levies to fund enrichment programs and programs outside the legislative definition of “basic education.” However, the use of local levies cannot reduce the state’s obligation to fund basic education.

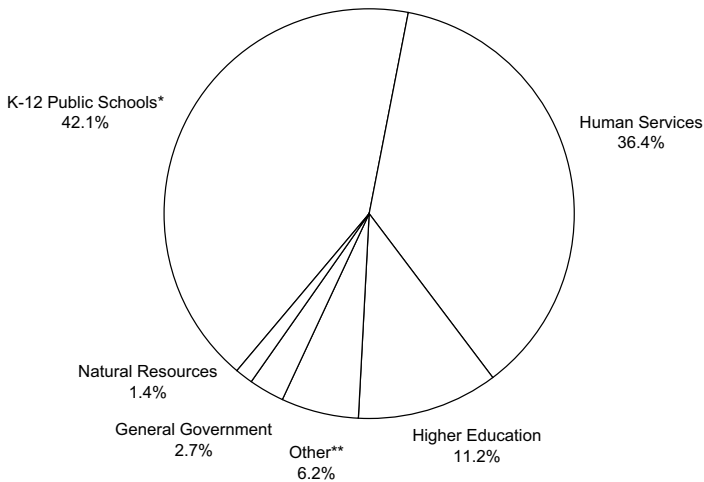
At the same time that the Legislature defined and took on responsibility for fully funding a basic education program, they passed the Levy Lid Act. The act limits the amount of revenue that a school district can raise through maintenance and operation (M & O) levies. While local levy revenues made up 32 percent of total school district revenues prior to the levy failures of 1975 that precipitated the 1977 school funding lawsuit, they fell to less than 10 percent of total school district revenues after the enactment of the Levy Lid Act.

Since that time, the Legislature has made various changes to the Levy Lid Act ultimately increasing school districts’ ability to raise levy revenues. Currently, 205 of the 296 school districts have a levy lid of 24 percent. This means that revenue raised from local tax levies cannot exceed 24 percent of the district’s state and federal revenues. The other 91 school districts have a levy lid ranging from 24.01 percent to 33.90 percent. These 91 districts have higher levy lid authority because at the time the Levy Lid Act was passed, these districts raised a higher amount of their revenues through M & O levies. (A list of these districts and their current levy lid rates is included in appendix A.)

How much of the state general fund is spent on K-12 public schools?

The state general fund is the largest single fund within the state budget. It is the principal fund supporting the operation of state government. In the 2005-07 biennium (fiscal years 2006 and 2007), the Legislature appropriated \$10.9 billion, or 42.1 percent, of the state general fund for the support and operation of K-12 public schools. The following chart shows how the state general fund budget is currently allocated:

2005-07 General Fund-State Budget



Dollars in Billions

K-12 Public Schools*	\$10.9
Human Services	9.5
Higher Education	2.9
Other**	1.6
General Government	0.7
Natural Resources	0.4
Statewide Total	\$26.0

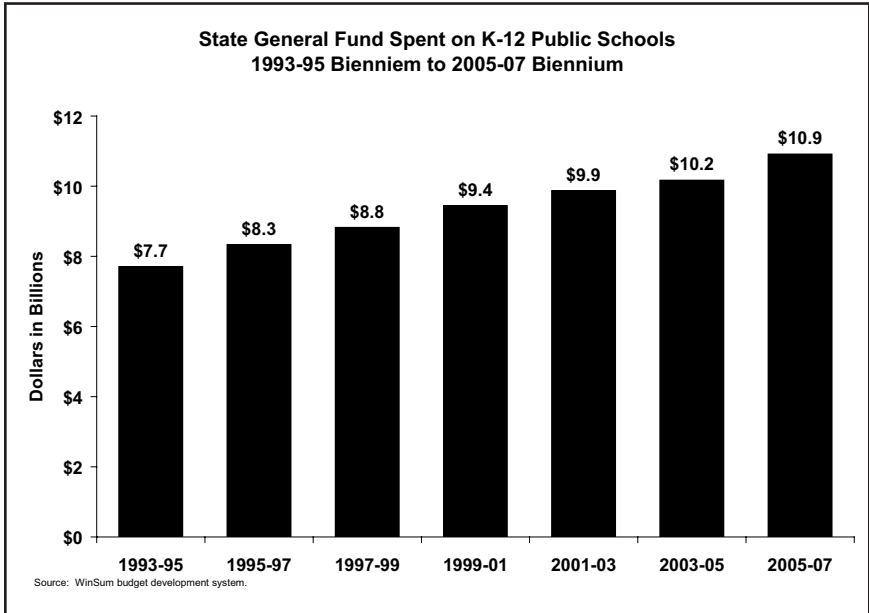
* This chart does not include \$629 million transferred to the Student Achievement Account as a result of I-728.

** Includes debt service, pensions, other education, transportation, and special appropriations.

Source: WinSum budget development system after the 2005 session.

How has the amount of the general fund support of K-12 public schools changed since 1993?

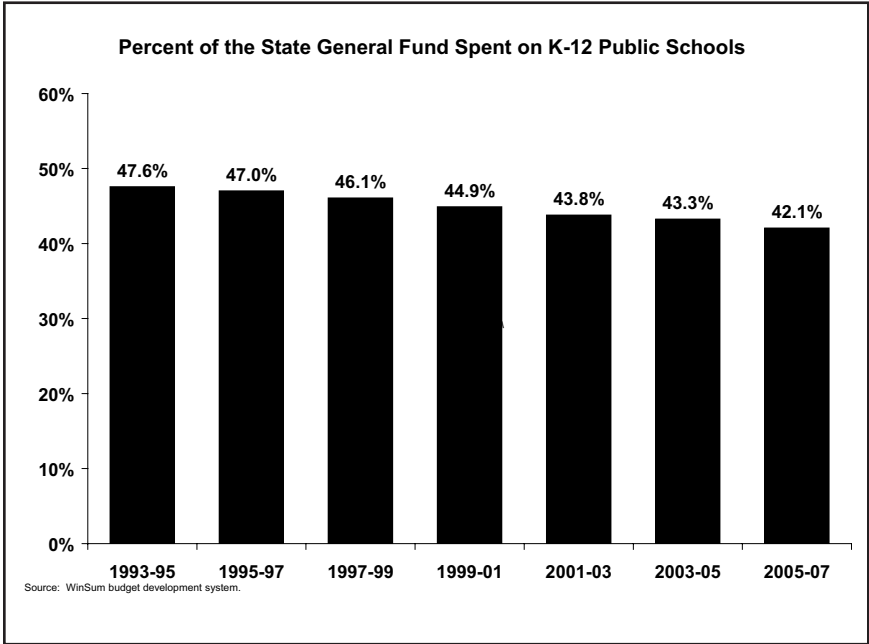
As depicted on the following chart, the amount of state general funds spent for K-12 public schools has increased from \$7.7 billion to \$10.9 billion per biennium since 1993. This represents approximately a 42 percent increase in state general fund support.



The amounts shown above are the General Fund-State support for K-12 public schools. In addition to these amounts, Initiative 728 (I-728), approved by state voters in November 2000, created additional per student distributions from Student Achievement Fund (SAF). In the 2005-07 biennium, \$629 million is appropriated from SAF for K-12 public schools. See *“What is Initiative 728”* on page 26 for more details.

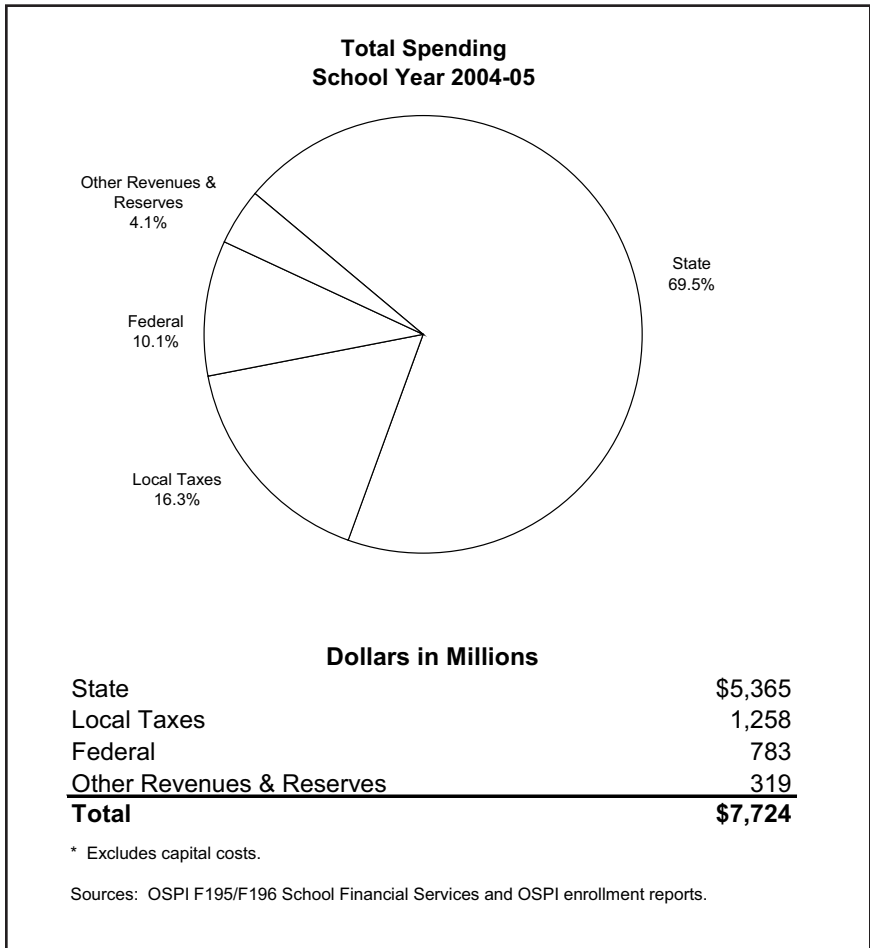
The chart on the next page shows that state general fund expenditures for K-12 public schools as a percent of the statewide total has decreased from 47.6 percent in the 1993-95 biennium (fiscal years 1994 and 1995) to 42.1 percent in the 2005-07 biennium (fiscal years 2006 and 2007).

Factors contributing to the decline include a slowing of the growth in overall K-12 enrollment, compared to the growth rate in the early 1990s, and fairly rapid growth in other areas of the state budget, particularly health care, human services, and corrections.



What are other sources of funding used by schools districts?

In addition to state funding, school districts receive funding from the federal government, local taxes, and other miscellaneous sources. The sources of funding budgeted by school districts for operating costs for the 2004-05 school year are described below.



State – More than 69 percent of budgeted school district revenues are from state sources. This amount consists of funding for the six categorical programs currently defined as “basic education” (general apportionment; the special education program for students with disabilities; some pupil transportation; the Learning Assistance Program for remediation assistance; the Transitional Bilingual Education

program; and educational programs in juvenile detention centers and state institutions) as well as a variety of other grants, allocations, and items funded from the state general fund and the Student Achievement Fund.

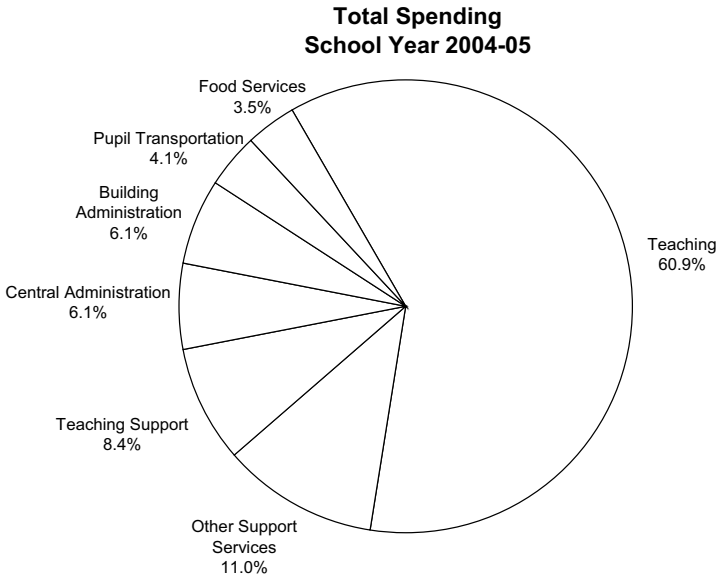
Local Taxes – Approximately \$1.3 billion, or about 16 percent of the total amount spent, is from local taxes. This is primarily local property taxes, which are often referred to as maintenance and operations levies.

Federal – School districts spent more than \$783 million from federal sources for the 2004-05 school year. This represents nearly 10 percent of their total spending. This includes funding for the implementation of the federal Individuals With Disabilities Education Act; instructional assistance and other strategies aimed at improving student achievement in high-poverty schools; a variety of professional development activities; the school lunch and other nutrition programs; financial assistance to compensate school districts as the result of federal land ownership; and a variety of smaller allocations and grants.

Other Revenue & Reserves – This category, totaling \$319 million or 4 percent of total funding, includes a variety of miscellaneous sources such as charges and fees for non-basic education programs, school lunch charges, revenue from other school districts, rental income, donations, and the use of reserves or fund balance.

How are these funds spent by school districts?

Another way to examine school spending is to identify how school districts anticipate spending the money received from state, federal, local, and other sources. School districts report detailed data to the Office of Superintendent of Public Instruction, including the “activities” on which they spend money. The amounts budgeted on each activity for the 2004-05 school year are depicted below.



Dollars in Millions

Teaching	\$4,701
Other Support Services	847
Teaching Support	646
Central Administration	471
Building Administration	470
Pupil Transportation	316
Food Services	273
Total	\$7,724

Sources: OSPI F195/F196 School Financial Services and OSPI enrollment reports.

Teaching – For the 2004-05 school year, school districts budgeted approximately \$4.7 billion (61 percent of the total) for teaching activities. This includes payments for salaries and benefits for classroom teachers, direct classroom instruction, extracurricular activities, and payments to other districts for educational services.

Teaching Support – School districts spent \$646 million on teaching support activities in the 2004-05 school year. This represents approximately 8 percent of total school district spending. This includes guidance counseling, library services, audio-visual functions, psychological services, health-related activities, and other services that support the delivery of teaching services.

Other Support Activities – After teaching, the largest activity for school district spending is utilities, grounds care, plant operation and maintenance, insurance, information systems, and other support functions. In the 2004-05 school year, school districts spent approximately \$847 million or 11 percent of their total spending on this activity.

Central Administration – Approximately \$471 million or 6 percent of total school district spending is for central administration. This includes school board functions, the superintendents' offices, business functions, human resources, centralized programs, and other district-level administrative functions.

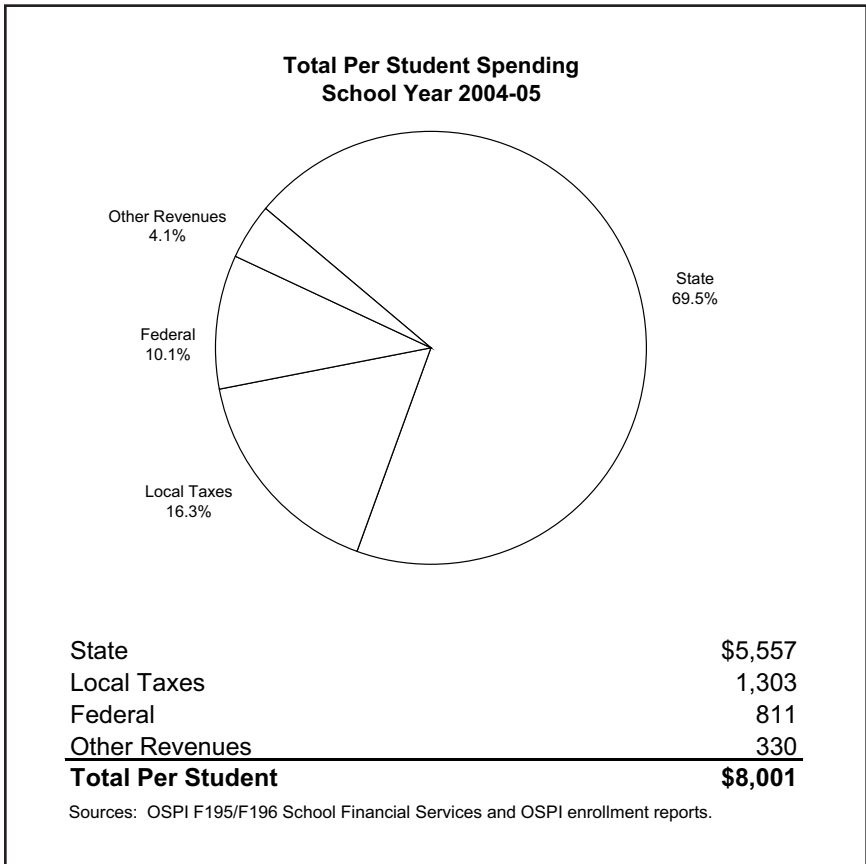
Building Administration – In the 2004-05 school year, school districts spent \$470 million, or 6 percent, on unit administration. This includes expenditures for principals and other building-level administrative functions.

Pupil Transportation – School districts spent \$316 million or 4 percent on pupil transportation in the 2004-05 school year. This includes bus and other vehicle operating costs, related maintenance, and program supervision.

Food Services – Approximately \$273 million, or 3 percent of the total, is spent for food operation functions, including program supervision and federal nutrition programs, in the 2004-05 school year.

How much is spent per student?

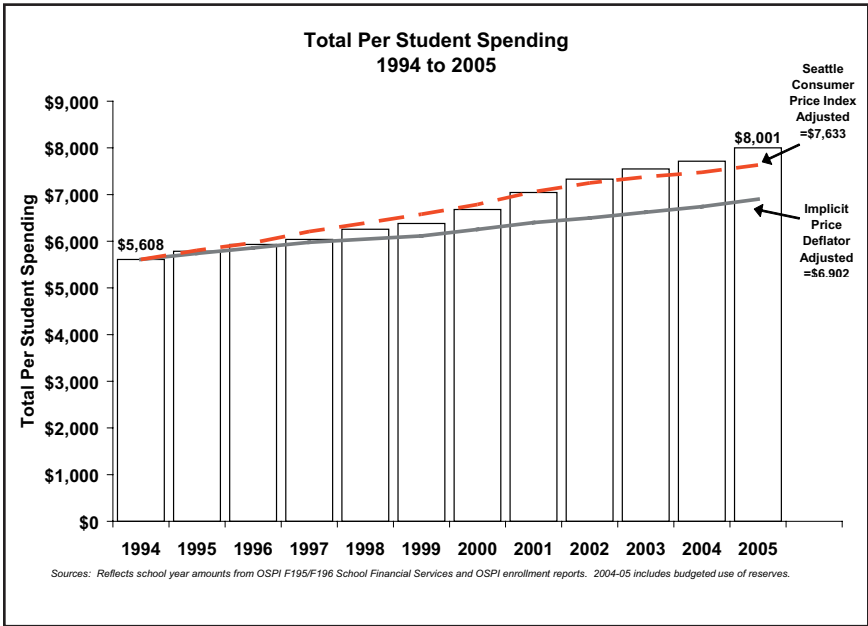
In the 2004-05 school year, on a statewide basis, school districts spent \$8,001 in resources per student. The following chart depicts a breakdown of the sources of funding for per student spending:



Of the \$8,001 spent by school districts in per student resources, \$5,557 or 69.5 percent of the funding is from state sources, \$811 or 10.1 percent is from federal sources, \$1,303 or 16.3 percent is from local taxes, and \$330 or 4.1 percent is expected to come from other revenue. (For more detail on these sources, please see “What are other sources of funding used by schools districts?” on page 10.)

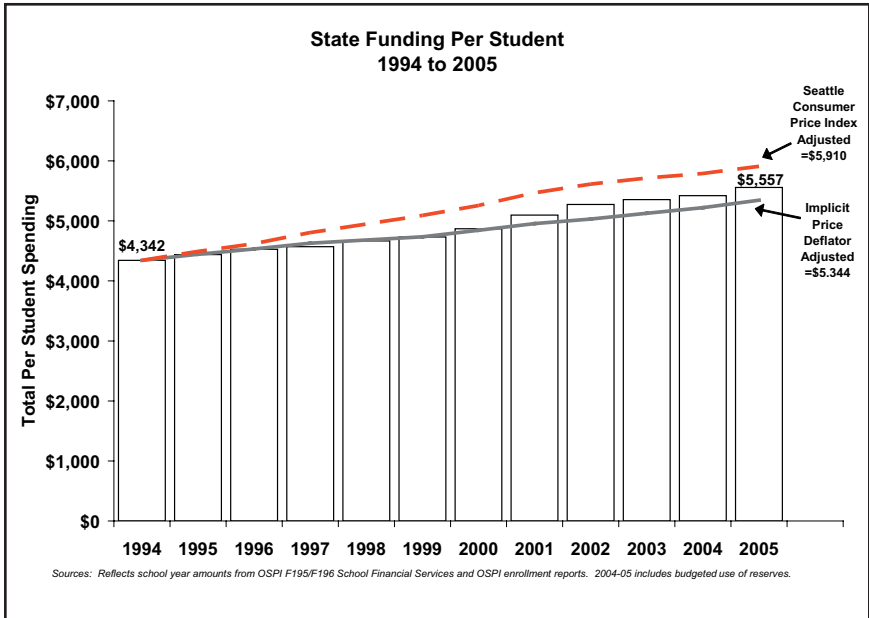
How has total per student spending changed since 1993?

As can be seen from the following chart, total (from state, federal, local, and other sources) per student spending has increased from \$5,608 in 1994 to \$8,001 in 2005. This represents an increase of approximately 43 percent over this period. The growth rate of total per student spending exceeds both the Seattle Consumer Price Index (CPI) and Implicit Price Deflator (IPD), which are two commonly used measures of inflation.



How has state funding per student changed since 1993?

As can be seen from the following chart, state funding per student has increased from \$4,342 in 1994 to \$5,557 in 2005. This represents approximately a 28 percent increase over this period. The growth rate of state funding per student spending slightly exceeds the Implicit Price Deflator (IPD) but lags behind the Seattle Consumer Price Index (CPI).



How is the salary level for teachers determined?

State funding – The Legislature allocates money to each district for state-funded employee salaries and associated fringe benefits. In the case of certificated instructional staff (CIS)—teachers, counselors, librarians, and other instructional staff requiring certification—the state funding is provided based on a state salary allocation schedule. An individual's education level and teaching experience determines the allocation for base salary. Additional funds (a 1 to 3 percent increase) are provided for each additional year of experience up to 16 years. Additional funds (a 3 to 20 percent increase) are also provided for each additional 15 credits of approved education acquired up to a Ph.D. (See appendix B for the state allocation schedule for certificated instructional staff for the 2004-05 school year.)

The state does not require school districts to pay certificated instructional staff in accordance with the state salary allocation schedule. However, most school districts have adopted a salary schedule the same as, or similar to, the state allocation schedule. Thirty-four of the state's 296 school districts receive higher salary allocations for certificated instructional staff. The primary reason for this higher allocation is that these districts were paying their certificated instructional staff higher salaries when the Legislature took on responsibility for fully funding basic education programs in the late 1970s. (See appendix C for a list of these districts and their allocation rate for school year 2004-05.)

Additionally, the Legislature limits a school district's authority to establish salaries for certificated instructional staff by setting a minimum and an average salary level.

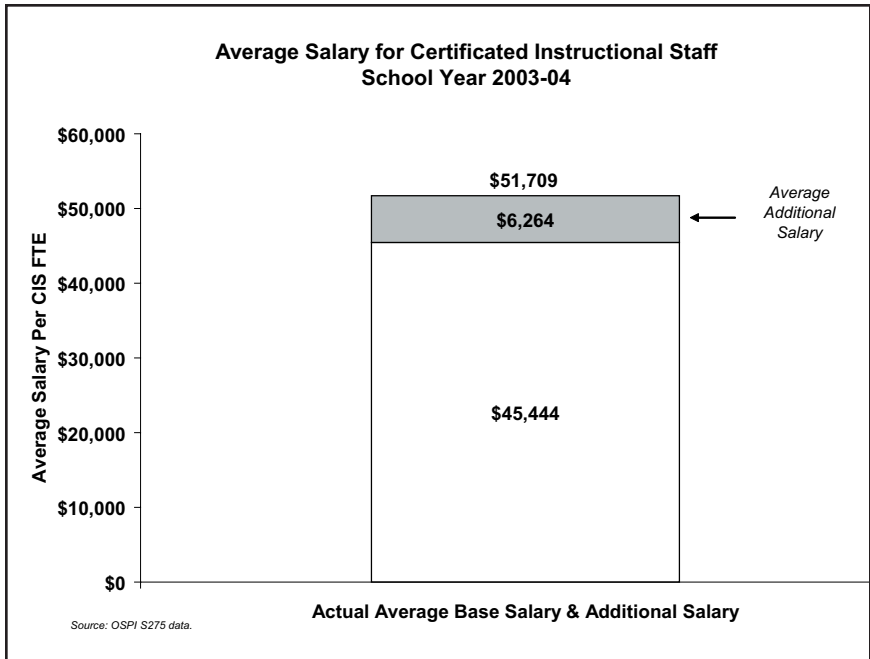
- **Minimum salary** – The actual minimum salaries in the district cannot be less than the minimum on the state salary allocation schedule for a certificated instructional staff member who has a BA or MA with no years of experience. The rationale for this limitation is to ensure a minimum salary for beginning certificated instructional staff.
- **Average salary** – The actual average salary in the district cannot exceed the average salary calculated based on the state allocation schedule. A rationale for this limitation is to prevent districts from paying a few certificated instructional staff a very large salary and the rest at the minimum.

The state funding provided to school districts for certificated instructional staff salaries is subject to collective bargaining within the state limitations.

Supplemental Pay – School districts may provide supplemental pay for additional time, responsibilities, and incentives (also known as "TRI") beyond that provided by the state. The vast majority of supplemental contracts are paid from local revenue. State law provides that supplemental pay contracts must not create any present or future funding obligation for the state.

What is the average salary level for teachers?

In the 2003-04 school year, the average annual base salary for certificated instructional staff (teachers, counselors, librarians, and other staff requiring certification) was \$45,444. In addition, the average additional salary was \$6,264. This means that the total average annual salary per certificated instructional staff was \$51,709.



How is the salary level of administrators and classified staff determined?

The Legislature allocates money to each district for employee salaries and associated fringe benefits. In the case of administrators and classified staff (such as bus drivers, food service workers, custodial staff, classroom aides), there is not a state salary allocation schedule. However, each district receives an allocation for these staff based on historical salary allocations adjusted for cost of living increases. This means that there are variations in the salary levels used for allocating administrator and classified staff position from district to district.

The actual salary levels for administrators and classified staff are determined through the local collective bargaining process. There are no state limitations with respect to salary levels of administrators or classified staff.

How does Washington compare to other states?

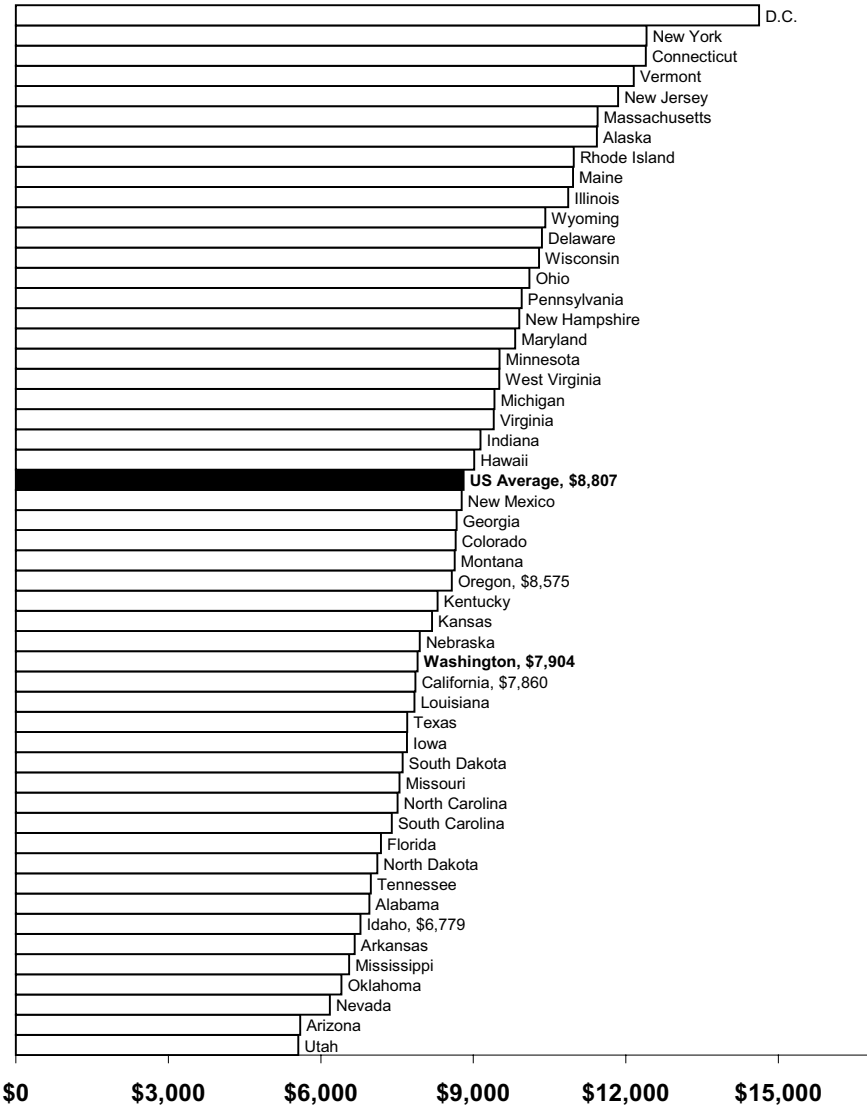
National information is often utilized to compare different aspects of K-12 finance. On the following three pages are charts comparing per student spending, students enrolled per teacher, and average teacher salary levels in Washington and other states. It should be noted that comparisons with other states, while interesting, often do not lend themselves to any definitive conclusions regarding each state's K-12 finance system, due to differences in reporting practices, demographics, and public school funding systems.

Per Student Spending – As depicted on the chart on page 20, Washington per student spending of \$7,904 ranks 32nd compared to the other states in the 2003-04 school year. The national average was \$8,807. Compared to other states in the western region, Washington's per student spending was \$671 below Oregon (\$8,575), \$44 above California (\$7,860) and \$1,125 above Idaho (\$6,779).

Students Enrolled Per Teacher – The chart on page 21 compares students enrolled per teacher in the 2003-04 school year. Washington's 19.3 enrolled students per teacher makes it the 5th highest in the nation. The national average was 15.8. Compared to other states in the western region, Washington's number of enrolled students per teacher was below California (20.6) and Oregon (20.1) but above Idaho (17.7). For a variety of reasons, this measure of students to teachers does not translate into the "average class size" in any given school, district, or state.

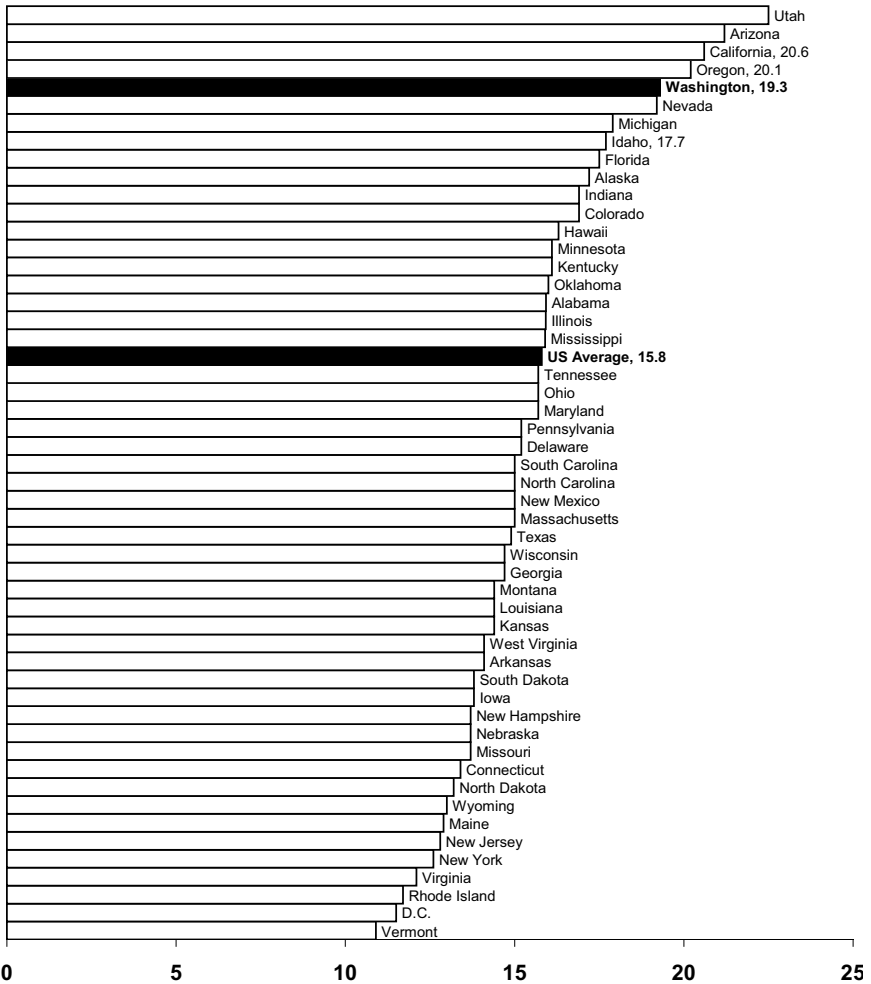
Teacher Average Salary Levels – The chart on page 22 provides a comparison of average salary levels for teachers. In the 2003-04 school year, Washington's reported average teacher salary of \$45,434 made it the 19th highest in the nation. The national average was \$46,735. Compared to other states in the western region, Washington's average teacher salary was \$11,010 below California (\$56,444), \$2,395 below Oregon (\$47,829), and \$4,354 above Idaho (\$41,080). The average salary levels depicted on this chart do not include supplemental pay. Since data related to supplemental pay in other states is not available, it is unknown how this might impact the rankings.

Public School Current Expenditures Per Student School Year 2003-04



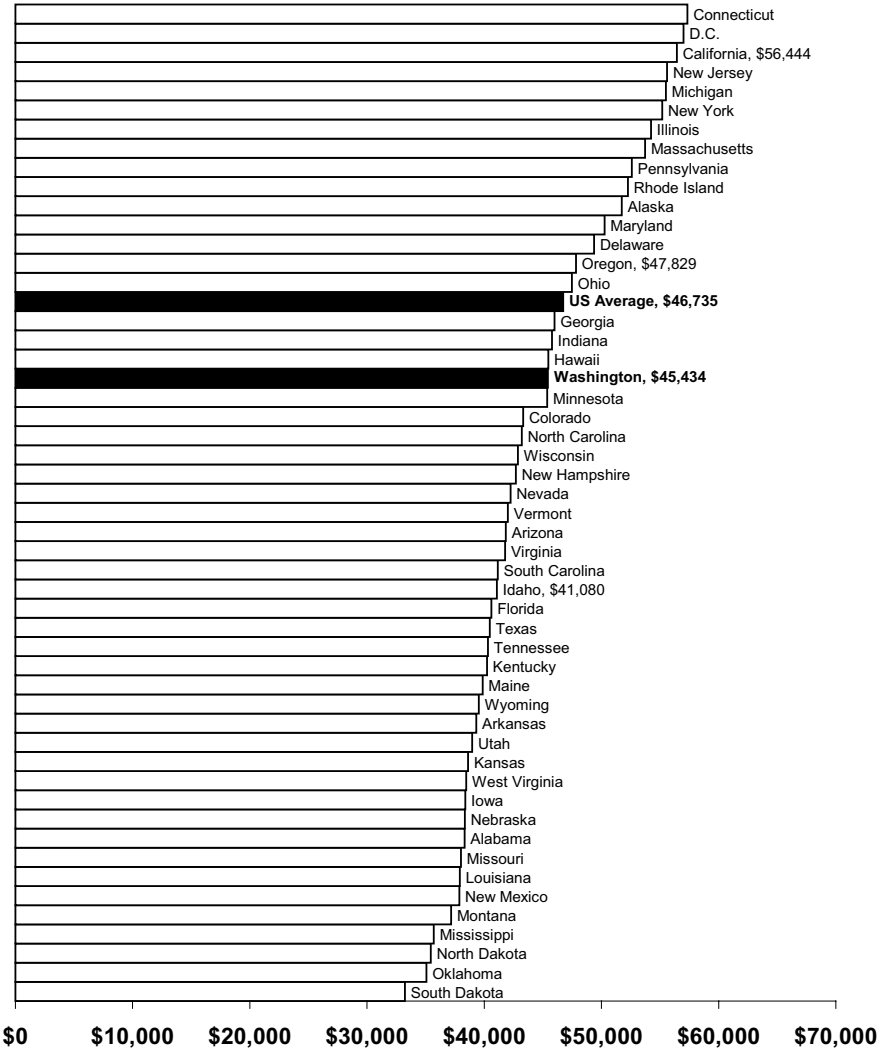
Source: Rankings & Estimates, National Education Association, June 2005

Students Enrolled Per Teacher in K-12 Public Schools, Fall 2003



Source: Rankings & Estimates, National Education Association, Fall 2005

Average Salary of Public School Teachers School Year 2003-04



How does the state lottery support public schools?

When the state lottery was established in 1982, the state was in an economic recession. The Legislature deposited the lottery revenues into the state general fund, which supports K-12 public schools, higher education, human services, natural resources, and other state programs. Prior to the actual creation of the lottery, there were various proposals to dedicate the lottery proceeds to the developmentally disabled, public schools, or state institutions. While none of these proposals were actually enacted into law, they are probably the source of the popular misconception that the lottery had been entirely dedicated to K-12 education.

As a result of the passage of Initiative 728 in 2000, all lottery revenues were, in fact, dedicated for educational purposes (with the exception of about ten percent, which was dedicated by previous legislation for debt service on the stadiums in Seattle). For fiscal years 2001-2004, a portion of lottery revenues were distributed to school districts to allow them to make improvements, such as reducing class sizes, extending learning opportunities, and expanding professional development and early childhood education programs. The remainder was deposited into the Education Construction Account which is used to fund a portion of the state matching funds for K-12 public school and higher education construction. Since fiscal year 2005, all lottery revenues have been deposited into the Education Construction Account.

It should be noted that while Initiative 728 dedicated lottery revenues to educational purposes, the Legislature passed legislation in 2002 that authorized a new lottery game that is not subject to the distribution for educational purposes. The legislation authorized participating in a multi-state lottery (now named "Mega Millions") with the profits from the game going to the state general fund. The legislation had provisions addressing the concern that some people might play the new multi-state lottery rather than the existing lottery games and, therefore, diminish the base revenues for educational purposes. For this reason, the legislation requires \$102 million annual transfers to make the educational-related accounts "whole" before distributing any excess profits to the general fund. In other words, it was intended that the educational related activities would receive as much money as they would have without the multi-state lottery.

Finally, based on current forecasts, it is estimated that the state lottery will generate approximately \$200 million in revenues this biennium. As depicted on the chart on page 7, state funding for K-12 public schools is approximately \$11 billion per biennium. Therefore, state lottery revenues, even if entirely dedicated to K-12 public schools, would represent only about 2 percent of the amount that the state currently spends on the operating costs of K-12 public schools.

What is the role of the federal government in public elementary and secondary education?

Public K-12 education is primarily a state and local responsibility. However, the federal role in education has been evolving and increasing over time. Although the federal Constitution, which gives U.S. Congress its authority to act, is silent on the subject of education, Article, I, Section 8 of the U.S. Constitution provides that Congress has the power to provide funding for the general welfare of the United States. Congress has relied on this provision when enacting federal assistance programs addressing education, including the education of students with disabilities (the Individuals with Disabilities Education Act — IDEA, and the Americans with Disabilities Act — ADA) and the education of students in poverty (Title I programs). State participation in these programs is voluntary; however, if the state accepts the federal funds then the state must comply with all of the federal program requirements. Federal funds comprise approximately eleven percent of the total of Washington K-12 funding. Additionally, the due process and equal protection clauses of the U.S. Constitution provide the basis for the anti-discrimination laws (Title VI, Title VII, and Title IX) enacted by Congress. The federal courts have also had a significant impact on public education, especially in the areas of racial segregation, First Amendment and due process rights of students and employees, school finance, and education programs for students who have limited English proficiency and for students with disabilities.

Most recently, the No Child Left Behind Act of 2001 (NCLB) reauthorized the Elementary and Secondary Education Act of 1965 (ESEA). This education legislation greatly expanded the federal role in public education. Part of the stated intent of the reauthorized ESEA is that all students obtain a high-quality education that will enable them to meet challenging state academic achievement standards. The new law represents the most sweeping changes to the ESEA since it was originally enacted in 1965. Under the NCLB, states are required to increase student testing; collect and disseminate subgroup results; ensure a highly qualified teacher in every classroom; and guarantee that all students, regardless of socioeconomic factors, achieve a “proficient” level of education by school year 2014. As these provisions are implemented, the Office of Superintendent of Public Instruction and others are continuing to assess the adequacy of federal funding and potential changes to NCLB.

What are other types of dedicated funding utilized by school districts?

Over three-fourths of a typical school district's expenditures are for the day-to-day operation of the school district and are funded in the school district's general fund. For this reason, this document primarily focuses on these expenditures. However, it should be noted that school districts also use other funds including: Capital Project Funds, which are used for some facility construction and remodeling costs; Debt Service Funds, which are used for the repayment of bond debt; Associated Student Body Funds, which are used for student activities; and Transportation Vehicle Funds, which are used for purchasing school buses.

How is school construction funded in the state?

In each biennial capital budget, the state provides financial assistance to school districts for constructing new and remodeling existing school buildings. The state assistance program is based on two principles: (a) state and local school districts share the responsibility for the provision of school facilities; and (b) there is an equalization of burden among school districts to provide school facilities regardless of the wealth of the districts.

To be eligible for state funding, a school district must have a space or remodeling need and must secure voter approval of a bond levy or other funding for the local share of a school project. Once the local share is secured, the state money is allocated to districts based on a formula comprised primarily of a set of space and cost standards/allocations and a matching ratio based on the relative wealth of the district.

The state program does not reimburse all costs related to a project. Costs not eligible for reimbursement include site acquisition costs; administrative buildings; stadiums/grandstands; most bus garages; and local sales taxes. Construction-related costs that are eligible include eligible construction costs per square foot; architectural and engineering fees; construction management; value engineering studies; furniture and equipment; energy conservation reports; and inspection and testing.

In the 2005-07 biennium (fiscal years 2006 and 2007), the Legislature appropriated approximately \$490 million for the state match associated with school construction projects.

What is Initiative 732?

Initiative 732 (I-732), approved by state voters in November 2000, requires an annual cost-of-living salary adjustment (COLA) for K-12 teachers and other public school employees and certain community and technical college staff, beginning in school year 2002.

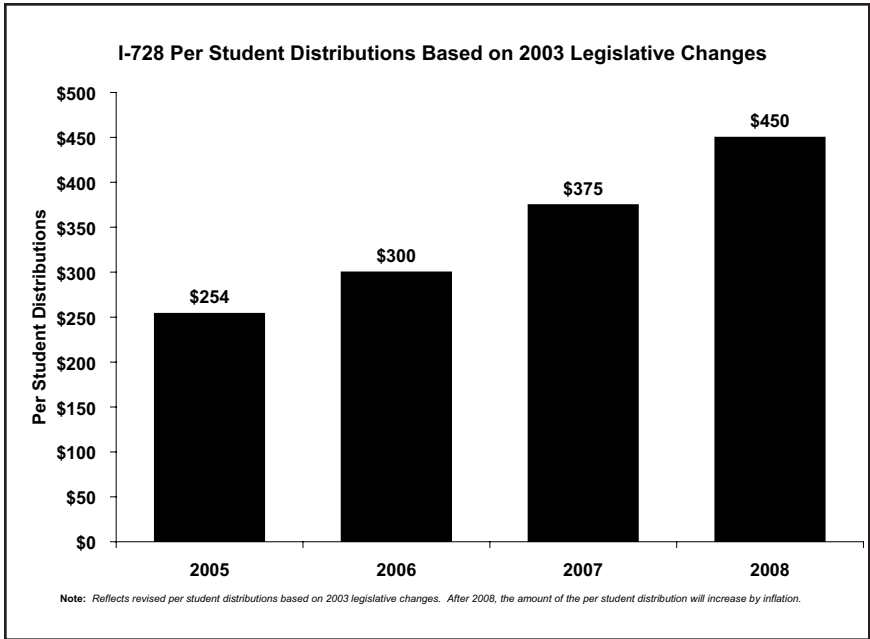
In 2003, the Legislature suspended the COLA requirement for the 2003-05 biennium (school years 2004 and 2005), and no COLA was provided with the exception of a few targeted salary increases for beginning teachers and classified staff. Additionally, the Legislature modified the COLA provisions for K-12 employees so that the state is only required to fund costs associated with providing the COLA to state-funded employees. Since all staff receive the COLA, this means that the costs associated with providing a COLA for local and federally funded staff will have to come from those sources.

For the 2005-07 biennium (fiscal years 2006 and 2007), \$135 million was appropriated for I-732 salary increases for state-funded K-12 employees. As of date of this publication, this amount is anticipated to increase by \$31 million due to an increase in the COLA inflation measure.

What is Initiative 728?

Initiative 728 (I-728), approved by state voters in November 2000, transfers a portion of the state property tax from the state general fund to the Student Achievement Fund (SAF). The SAF is then distributed to school districts to use for class size reduction, extended learning opportunities for students, professional development for educators, early childhood programs, and necessary building improvements to support class size reductions or extended learning opportunities. The initiative provided school districts \$184 per full-time equivalent (FTE) student in the 2001-02 school year, \$208 per FTE student in the 2002-03 school year, \$212 per FTE student in the 2003-04 school year, and \$450 per FTE student in the 2004-05 school year. In subsequent years, the amount would increase by inflation.

As depicted on the chart on the next page, in 2003, the Legislature reduced the distribution of the I-728 funds so that school districts will receive \$254 per FTE student in the 2004-05 school year; \$300 per FTE student in the 2005-06 school year; \$375 per FTE student in the 2006-07 school year; and \$450 per FTE student in the 2007-08 school year. In subsequent years, the amount is increased by inflation.



In 2005, while not changing the amount of per student distributions in each respective school year, the Legislature directed a portion of the revenue generated from an increase in the cigarette tax and the reinstatement of a modified state estate tax to support the per student distributions. This means that beginning in the 2005-06 school year, the per student distributions are supported from property, cigarette and estate taxes. For the 2005-07 biennium (fiscal years 2006 and 2007), a total of \$629 million is anticipated to be distributed to school districts from the SAF.

Additionally, I-728 transferred varying percentages of state lottery revenues to the SAF for fiscal years 2001-2004 to partially support the per student distributions previously described and for deposit in the Education Construction Account (ECA). Since fiscal year 2005, all of the lottery revenues have been deposited into the ECA, which is used to fund a portion of the state matching funds for K-12 public school and higher education construction projects.

Appendix A

Maximum Levy Authority: Districts Grandfathered Above 24% Sorted by County

Rank Highest = 1	County	School District	Max Levy Percent
59	Adams	Lind	25.20%
40	Adams	Ritzville	28.12%
82	Chelan	Cashmere	24.79%
12	Clark	Green Mountain	33.58%
11	Columbia	Starbuck	33.61%
27	Cowlitz	Toutle Lake	31.19%
87	Cowlitz	Kalama	24.24%
15	Douglas	Orondo	33.51%
91	Douglas	Bridgeport	24.01%
5	Douglas	Palisades	33.73%
41	Douglas	Mansfield	28.00%
24	Douglas	Waterville	32.00%
25	Franklin	North Franklin	31.70%
1	Franklin	Kahlotus	33.90%
8	Grant	Wahluke	33.69%
53	Grant	Quincy	26.67%
51	Grant	Coulee/Hartline	26.79%
19	Grays Harbor	Cosmopolis	33.40%
43	Jefferson	Brinnon	27.50%
22	King	Seattle	32.97%
68	King	Federal Way	24.90%
75	King	Enumclaw	24.88%
9	King	Mercer Island	33.67%
64	King	Highline	24.95%
75	King	Vashon Island	24.88%
65	King	Renton	24.93%
57	King	Skykomish	25.43%
28	King	Bellevue	30.66%
13	King	Tukwila	33.54%
85	King	Riverview	24.72%
68	King	Auburn	24.90%
71	King	Tahoma	24.89%
80	King	Snoqualmie Valley	24.83%
61	King	Issaquah	24.97%
42	King	Shoreline	27.93%
71	King	Lake Washington	24.89%
71	King	Kent	24.89%
68	King	Northshore	24.90%
60	Kitsap	Bainbridge	24.98%
17	Kittitas	Damman	33.44%
6	Klickitat	Centerville	33.71%
89	Klickitat	Roosevelt	24.14%
46	Lewis	Vader	27.29%
20	Lewis	Evaline	33.36%
58	Lewis	Boistfort	25.32%
31	Lewis	White Pass	29.43%

Appendix A continued**Maximum Levy Authority: Districts Grandfathered Above 24%
Sorted by County**

Rank Highest = 1	County	School District	Max Levy Percent
3	Lincoln	Sprague	33.77%
55	Lincoln	Reardan	26.02%
30	Lincoln	Creston	30.42%
9	Lincoln	Odessa	33.67%
21	Lincoln	Harrington	33.01%
38	Lincoln	Davenport	28.21%
43	Okanogan	Pateros	27.50%
56	Pend Oreille	Selkirk	25.47%
65	Pierce	Steilacoom Hist.	24.93%
78	Pierce	Puyallup	24.87%
26	Pierce	Tacoma	31.47%
14	Pierce	Carbonado	33.52%
36	Pierce	University Place	28.29%
79	Pierce	Sumner	24.86%
33	Pierce	Dieringer	28.85%
83	Pierce	Orting	24.78%
52	Pierce	Clover Park	26.76%
67	Pierce	Peninsula	24.91%
61	Pierce	Franklin Pierce	24.97%
71	Pierce	Bethel	24.89%
61	Pierce	Eatonville	24.97%
84	Pierce	White River	24.77%
81	Pierce	Fife	24.82%
2	San Juan	Shaw	33.82%
29	Skagit	Anacortes	30.54%
32	Skagit	Conway	29.15%
16	Skamania	Mount Pleasant	33.46%
88	Spokane	Spokane	24.18%
39	Spokane	West Valley (Spo)	28.20%
50	Stevens	Valley	26.91%
49	Stevens	Loon Lake	27.01%
86	Thurston	Olympia	24.34%
7	Walla Walla	Dixie	33.70%
18	Walla Walla	College Place	33.43%
48	Walla Walla	Columbia (Walla)	27.07%
54	Whatcom	Bellingham	26.35%
35	Whatcom	Blaine	28.51%
34	Whitman	Lacrosse Joint	28.75%
75	Whitman	Lamont	24.88%
89	Whitman	Tekoa	24.14%
47	Whitman	Pullman	27.27%
37	Whitman	Palouse	28.27%
4	Whitman	Garfield	33.76%
23	Whitman	Steptoe	32.42%
45	Whitman	Colton	27.35%

Appendix B

K-12 Allocation Schedule for Certificated Instructional Staff For School Year 2005-06									
Years of Service	BA	BA+15	BA+30	BA+45	BA+90	BA+135	MA	MA+45	MA+90 OR Ph.D.
0	30,383	31,204	32,054	32,906	35,640	37,401	36,426	39,161	40,924
1	30,792	31,624	32,485	33,375	36,137	37,889	36,831	39,594	41,345
2	31,181	32,022	32,892	33,850	36,605	38,375	37,239	39,994	41,764
3	31,583	32,431	33,311	34,299	37,049	38,861	37,626	40,373	42,187
4	31,977	32,862	33,747	34,770	37,536	39,361	38,031	40,796	42,623
5	32,384	33,273	34,167	35,247	38,002	39,864	38,442	41,199	43,061
6	32,802	33,672	34,596	35,729	38,472	40,344	38,864	41,607	43,478
7	33,536	34,420	35,356	36,551	39,334	41,258	39,655	42,437	44,362
8	34,612	35,543	36,502	37,796	40,616	42,611	40,899	43,720	45,714
9		36,707	37,713	39,054	41,940	44,002	42,156	45,044	47,106
10			38,938	40,376	43,301	45,432	43,479	46,405	48,535
11				41,737	44,726	46,900	44,840	47,830	50,003
12				43,055	46,189	48,428	46,255	49,292	51,532
13					47,688	49,993	47,720	50,791	53,096
14					49,194	51,618	49,227	52,396	54,721
15					50,474	52,961	50,507	53,758	56,144
16 or more					51,483	54,019	51,517	54,833	57,266

Appendix C

Certificated Instructional Staff Base Salaries for School Year 2005-06
Grandfathered Districts Compared to All Other Districts

	Grandfathered Districts			All Other Districts		
	Total Base Salaries	% Over "All Other"	Total Base Salaries	% Over "All Other"	Total Base Salaries	% Over "All Other"
1 Everett	32,310	6.3%	18 Eatonville		30,623	0.8%
2 Orondo	32,247	6.1%	19 Taholah		30,601	0.7%
3 Northshore	32,062	5.5%	20 Green Mountain		30,593	0.7%
4 Marysville	31,967	5.2%	21 Benge		30,592	0.7%
5 Puyallup	31,403	3.4%	22 Darrington		30,592	0.7%
6 Vader	31,392	3.3%	23 Evaline		30,585	0.7%
7 Shaw Island	31,370	3.2%	24 Loon Lake		30,585	0.7%
8 Southside	31,247	2.8%	25 Thorp		30,560	0.6%
9 Lake Chelan	31,235	2.8%	26 Wenatchee		30,553	0.6%
10 Mukilteo	31,149	2.5%	27 Lake Washington		30,535	0.5%
11 Lopez Island	31,116	2.4%	28 Bellevue		30,465	0.3%
12 Seattle	30,990	2.0%	29 Centerville		30,457	0.2%
13 Oak Harbor	30,982	2.0%	30 Port Townsend		30,456	0.2%
14 Edmonds	30,751	1.2%	31 Sumner		30,440	0.2%
15 McCleary	30,735	1.2%	32 Kelso		30,430	0.2%
16 Eastmont	30,706	1.1%	33 Toppenish		30,409	0.1%
17 Bolistfort	30,660	0.9%	34 Cosmopolis		30,408	0.1%
				All Other Districts	\$30,383	